Remarks/Arguments:

<u>STATUS OF CLAIMS</u>

Claims 1, 5, and 11 have been amended, and claims 1-19 are currently pending in the application.

<u>REMARKS</u>

In the Office Action, the Examiner:

objected to the specification as misidentifying a reference numeral;

rejected claims 5-11 under 35 U.S.C. §112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which the Applicant regards as the invention;

rejected claims 1-11 under 35 U.S.C. §101 as being directed to non-statutory subject matter;

rejected claims 1-6 under 35 U.S.C. §102(b) as being anticipated by U.S. Patent Application Publication No. US 2001/0039535 A1 (herein after referred to as "Tsiounis");

rejected claims 7-11 under 35 U.S.C. §103(a) as being unpatentable over Tsiounis in view of U.S. Patent No. 6,038,551 ("Barlow"); and

rejected claims 12-19 under 35 U.S.C. §103(a) as being unpatentable over Barlow.

1. Objection to Specification

Paragraph 23 has been amended by changing reference numeral 19 to reference numeral 18, as indicated by the Examiner. In light of this amendment, the Applicant respectfully asserts that the objection has been overcome.

2. Rejections Under 35 U.S.C. §112, Second Paragraph

Independent claims 5 and 11 have been amended to establish antecedent basis for the payment, as indicated by the Examiner. In light of these amendments, the Applicant respectfully asserts that the rejections of claims 5-11 under 35 U.S.C. §112, second paragraph, have been overcome.

3. Rejections Under 35 U.S.C. §101

The Examiner has asserted that claims 1-11 are directed toward non-statutory subject matter, but the Examiner's discussion cites no authority for her asserted tests and interpretations. The "mental steps" doctrine, for example, which the Examiner relies upon, was overruled in *In re Prater*, 56 C.C.P.A. (Pat.) 1360, 415 F.2d 1378 (1968), *modified on rehearing*, 56 C.C.A.P. (Pat.) 1381, 415 F.2d 1393 (1969). For an excellent discussion of the "mental steps" doctrine, see *Diamond v. Diehr*, 450 U.S. 175 (1981). The Applicant's understanding of processes as patentable subject is reflected in the article by J. Love and W. Coggins, "Successfully Preparing and Prosecuting a Business Method Patent Application," presented at AIPLA (Spring 2001), which is provided on the U.S.P.T.O.'s website (and therefore presumably endorsed by the U.S.P.T.O.), and reads as follows:

> The Supreme Court has stated that Congress intended statutory subject matter to "include anything under the sun that is made by man." *Diamond v. Chakrabarty*, 447 U.S. 303, 309 (1980). The Supreme Court has also specifically noted exceptions to this and identified three categories of unpatentable subject matter. They are: "laws of nature, natural phenomena, and abstract ideas." *Diamond v. Diehr*, 450 U.S. 175, 185 (1981).

> Further, the Supreme Court has held that mathematical algorithms *per se* are not patentable subject matter to the extent that they are merely abstract ideas. *Diamond v. Diehr.* In *Diehr*, the Court explained further that certain types of mathematical subject matter, standing alone, represent nothing more than abstract ideas until reduced to some type of practical application, i.e., "a useful, concrete and tangible result." *State Street,* 149 F.3d at 1373, 47 USPQ2d at 1601-02.

> **Thus, practical application is achieved when the claimed subject matter produces a useful, concrete and tangible result. This is the test for identifying statutory subject matter not only in computer-related inventions classified in Class 705, but throughout the Office.** However, once identified to be statutory, inventions are still subject to the patentability requirements of 35 U.S.C. 102, 103 and 112. (Emphasis added).

Thus 35 U.S.C. §101 is satisfied by a useful, concrete, and tangible result, which the Examiner admits is provided by the present invention. "Ideas" are clearly patentable, "abstract ideas" are clearly not patentable, but the difference is in the practical application of an idea to provide a useful, concrete, and tangible result, not in the involvement of electronic or mechanical devices as the Examiner has suggested. The Applicant believes that the Examiner has wrongly focused on the manner in which the process is implemented and not on the result that the process produces. Thus, for example, contrary to the Examiner's assertion, a method of financial accounting which can be practiced with pencil and paper need not be claimed as being implemented by an electronic or mechanical device in order to be patentable so long as the method produces a useful, concrete, and tangible result.

In any event, however, it is not contemplated that the present invention will be implemented without electronic or mechanical assistance, and therefore the Applicant has amended claims 1, 5, and 11 to reflect electronic implementation, as indicated by the Examiner. In light of these amendments, the Applicant respectfully asserts that the rejections of claims 1-11 under 35 U.S.C. §101 have been overcome.

If the Examiner disagrees with the Applicant's assertion that these rejections have been overcome, and persists in rejecting claims under 35 U.S.C. §101, the Applicant requests that the Examiner cite authority for her asserted tests and interpretations of case law so that the Applicant can better formulate its response.

4. Rejections Under 35 U.S.C. §102(b)

The Examiner has rejected claims 1-6 as being anticipated by Tsiounis. Tsiounis concerns a method of making secure electronic payments by a customer to a merchant via a trusted third-party. More specifically, when the customer desires to make a purchase he instructs the trusted third-party to pay the merchant. The trusted third-party is provided with or otherwise has access to the customer's confidential payment information, such as a debit card number, credit card number, or bank account number and routing information - *all of which are associated with accounts that identify the customer* - and creates a payment authorization based on that confidential payment information. The trusted third-party then pays the merchant without disclosing the confidential payment information to the merchant. Tsiounis is concerned with making conventional electronic payments more secure rather than with making them substantially anonymous. Like the present invention,

Tsiounis interposes a third-party transactional intermediary between the customer and the merchant, but unlike the present invention, Tsiounis still relies on the existence and use of confidential payment information which is associated with and identifies or can identify the customer. Tsiounis acknowledges that in prior art electronic transactions "[t]he customer's confidential payment information remains vulnerable to break-in attacks on computer equipment and databases at the merchant's end", but seems to overlook the fact that such attacks could just as well be made on the trusted third-party's computer equipment and databases. Furthermore, Tsiounis is concerned only with transactional security and completely unconcerned with the customer's privacy. More specifically, because payments are associated with particular paying customer, records exist of those payments which could be sold, lost, or stolen. By contrast, the present invention eliminates confidential payment information altogether, at least in the sense of personal or person-connected information that can identify the customer, so that it no longer exists and cannot be discovered by others as a result of its sale or loss by the third-party or as a result of theft due to break-in attacks.

To be clear: while Tsiounis relies on a *trusted* third-party to maintain the customer's security and privacy in his confidential payment information and purchase history, and any anonymity provided by Tsiounis is only with respect to the merchant, the present invention *ensures* substantially complete security and privacy by making all payments and purchases substantially completely anonymous to both the trusted third-party and the merchant by eliminating all customer-identifying information. The customer need only provide information associated with the card.

Tsiounis is concerned with transactions involving debit cards, credit cards, and bank accounts, all of which are directly linked to the customer such that if the confidential payment information is stolen then the subsequent use of that information by the thief are attributed to the customer. If the thief makes a number of major purchases, for example, then those purchases are attributed to the customer. And while there are procedures for rectifying these sorts of problems, including credit report problems, they may require an enormous amount of time and money on the part of the customer, so much so that "identity theft insurance" is now available to help defray these costs. Thus, systems like Tsiounis place all of the risk on the customer.

Also known are gift cards which function as cash. These cards are issued by and useable only in a particular store or limited group of stores. Payments made using such

cards are substantially anonymous, at least with regard to the identity of the customer, such that if the card is stolen then subsequent use of that card by the thief are not attributed to the customer. Unfortunately, creating such a gift card for use in many different and otherwise unrelated stores presents a number of obstacles, including, for example, that any particular merchant has no way of knowing whether the card is real or fake and, even if real, whether it has been tampered with to increase its value. Thus, systems such as these place all of the risk on the merchant.

As discussed in the specification of the present application, the present invention synthesizes these two approaches to substantially eliminate both the customer's and the merchant's risks: the customer's risk is substantially eliminated because the use of the card is not attributable to him, i.e., his identity is not associated with the card, and the merchant's risk is substantially eliminated because the third-party verifies the validity of the card being used for payment. Independent claims 1, 5, and 11 have been amended to more clearly emphasize this distinguishing feature of the present invention. In light of these amendments, the Applicant respectfully asserts that the rejections of claims 1-6 under 35 U.S.C. §102(b) have been overcome.

5. Rejections Under 35 U.S.C. §103(a) Over Tsiounis and Barlow

The Examiner has rejected claims 7-11 as being unpatentable over the combination of Tsiounis and Barlow. Barlow concerns a portable multi-purpose integrated circuit card and complimentary computer software which enables management of resources maintained on the card. More specifically, a user can (a) initialize and configure the card, (b) control security mechanisms which enable access to the card, and (c) manage resources stored on the card.

Barlow acknowledges that:

> For an electronic marketplace to flourish, consumers and merchants must believe that information being exchanged between them is secure...Moreover, each party must also have some assurance that the information received from the other party did in fact originate at the other party (and not in an imposter) and that the information has not been subsequently altered or tampered with by an intruder. (Col. 1, lines 52-59.)

Barlow's card can store a wide variety of information, and can be used to make payments to merchants, but does not overcome the problems identified above in the discussion of Tsounis. More specifically, Barlow does not overcome the customer's and merchant's risks. With respect to the customer, for example, Barlow asserts that "even if the card were lost or stolen, it is very difficult to obtain confidential information in the short time frame before the card is reported as lost and marked inactive", but this optimistically assumes that the loss of the card will be quickly detected by the owner. If a thief were to access the confidential information stored on the card, he could, for example, make purchases which would be attributed to the owner of the card.

For the reasons discussed above, and in light of the aforementioned amendments to independent claims 1, 5, and 11, the Applicant respectfully asserts that the rejections of claims 7-11 under 35 U.S.C. §103(a) have been overcome.

6. Rejections Under 35 U.S.C. §103(a) Over Barlow

For the reasons discussed above, and in light of the aforementioned amendments to independent claims 1, 5, and 11, the Applicant respectfully asserts that the rejections of claims 12-19 under 35 U.S.C. §103(a) have been overcome.

Furthermore, with respect to claims 13 and 17, although the Examiner asserts that Barlow teaches, at col. 7, lines 51-63, a selection mechanism comprising a sliding mechanical switch, the Applicant is unable to identify any such disclosure - in fact none of the terms "mechanical", "switch", or "sliding" appear in Barlow - and therefore the Applicant requests that the Examiner reconsider these rejections. If the Examiner persists in these rejections, the Applicant requests that the Examiner quote the language that she is relying on for the alleged disclosure.
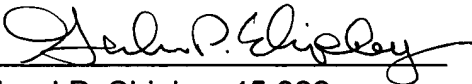
7. Conclusion

The Applicant respectfully asserts that all claims currently pending in the application are in condition for allowance, and respectfully requests a corresponding Notice of Allowance.

In the event of any questions, the Examiner is urged to contact the undersigned.

Respectfully Submitted,
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